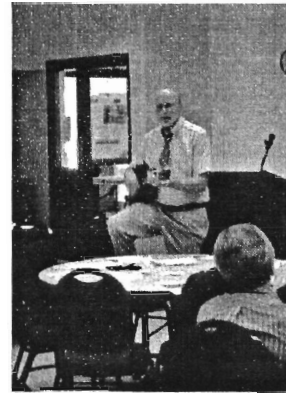
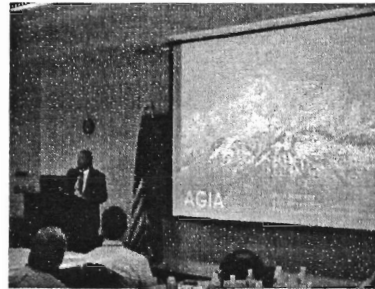




*Leadership to enhance, foster
and promote economic development*



**THE KENAI PENINSULA CHAPTER OF
THE ALLIANCE**
...for responsible development of Alaska's Oil, Gas & Mineral Resources

Industry Outlook Forum Summary "Looking Forward to the Next Decade"

Hosted by the Kenai Peninsula Economic Development District
and the Kenai Chapter of the Alliance

January 14th & 15th, 2010
Challenger Learning Center

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**Borough, State, & Workforce
Development Economic Overviews**

*John Janik, Economic Analyst, Kenai Peninsula
Borough*

John Janik opened the Industry Outlook Forum with remarks on the Borough economy. Focusing on 3rd Quarter Gross and Taxable Sales, Mr. Janik compared the recent 2009 figures to previous years. This past year, there was a 19.7% decrease in gross sales across the Borough compared to the record-setting 2008. In addition, Mr. Janik analyzed the distribution of sales among the various lines of business in the Borough. Some industries are performing moderately well, including Services, Federal Spending, and Utilities. Conversely, Tourism, Production, Property Management, and Manufacturing are industries that have been hit the hardest. Mr. Janik emphasized that the economic diversity across the Borough is an invaluable asset looking into the future.



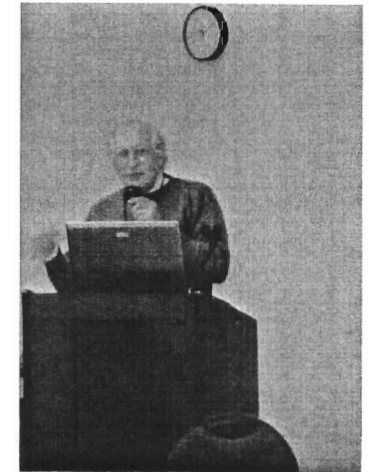
*Alyssa Shanks, Analyst, State of Alaska Labor
& Workforce Development*



To examine the Borough economy, Ms. Shanks implemented a three-layered approach, looking at past employment rates, income levels, and population breakdowns over the Borough. Historically, the average annual employment growth rate of the Peninsula has surpassed the rate of the State. However, over the past decade, the Peninsula has lagged behind Alaska. Unemployment payments have been highest in the oil and gas industry, although employment is still very diverse throughout the Borough. Demographically, retirement income in the Borough exceeds every other Borough in Alaska, strongly correlated to the relatively inexpensive cost-of-living of the Peninsula. The Borough also has seen large population declines in the 40-49 year-old age bracket.

*Scott Goldsmith, ISER Economist, Professor of
Economics, UAA*

To set the stage for his presentation, Mr. Goldsmith compared the Alaskan economy to the national economy over the past year. Despite consistent, long-term growth in both employment and gross sales in Alaska for 22 consecutive years, the bubble has burst in the state. Fluctuations in oil, a dip in the stock market, and an apparent ceiling on federal spending in Alaska give Mr. Goldsmith the belief that the Alaskan economy will continue to contract, albeit very little, in 2010. The first real signs of recovery should be seen in 2011. Mr. Goldsmith continued to breakdown the Alaskan economy between petroleum, federal government, and non-petroleum private sectors. With at least 50 more years of exploration, recovery, and refinery, Alaska will continue to have a stabilizing economic force in the near future. However, the Alaskan economy is becoming saturated and plans need to be made for "life-after-oil" in the state.



Community Overviews: Economic Outlook

Pat Porter, Mayor of Kenai



Mayor Pat Porter of Kenai led the community overviews by reviewing the 2009 capital improvement projects for Kenai. Included in the nearly \$20 million list were roadway and runway improvements, remodeling the Visitor's Center, soccer fields, and various other projects. Mayor Porter then shared the list of 2010/2011 improvement projects, totaling over \$29 million. Included in these projects are an expansion to the Kenai Community Library, rehabilitation to the Kenai Airport apron, Water and Sewer Main upgrades, and well upgrades. The extended water and sewer across Bridge Access road is expected to open tremendous business opportunities for property owners along the waterfront. In addition, Mayor Porter discussed two upcoming opportunities in Kenai.

Wal-Mart will open their doors on March 31, employing 370 residents – 70% of which will be full-time employees. In addition, in May 2010 TransCanada/Enstar plans to build a gas storage facility in Kenai, employing approximately 150 people during the 18-month construction process and a permanent workforce of five or six employees.

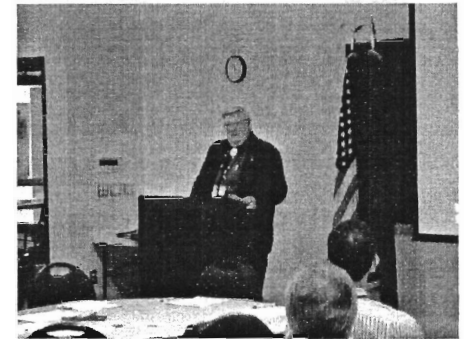
David Carey, Mayor, Kenai Peninsula Borough

While comparing Alaska to the human body, Mayor Carey described the Kenai Peninsula as the heart and lungs of the State. With water covering over half of the Borough, the Peninsula is the lifeblood of the region. Fishing and petroleum are the two major commercial interests that connect the various regions of the Borough. Mayor Carey went on to describe what he believes is the greatest asset of the Borough: the diversity. From the highly developed Central, Southern, and Eastern regions to the Western region which has made plans to develop.



William Dunham, Mayor of Seward

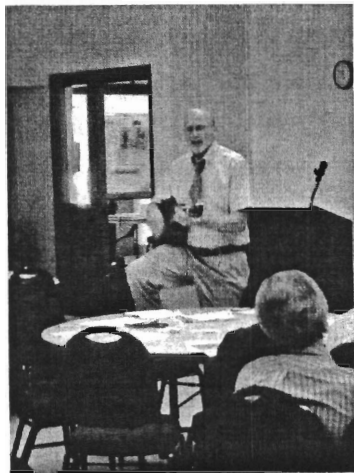
Mayor Dunham provided the attendees with a detailed overview of the economic development projects currently in Seward. An expansion to the boat harbor will provide an additional 200 slips, with more likely to come. The City's water tank will be rebuilt and doubled in capacity. Most exciting of these projects is the development of a marine



research vessel, a \$123 million project with an estimated delivery of late 2013. The marine and oceanographic research vessel will employ 36-50 people, and the impact of the research should have an immense impact to Seward and the rest of the Kenai Peninsula. As with the rest of the State, Seward is experiencing a decrease in tourism and sales. It is still a bit early to predict the impact in 2010, as day charters in some areas are down, and in others are up 20%. Mayor Dunham remains optimistic that Seward will survive through these difficult economic times.

Jim Hornaday, Mayor of Homer

With the opening words that "the world could be in a depression and Homer wouldn't know it", Mayor Hornaday began a discussion regarding the cultural and economic diversity of Homer. The City is home to more than 60 non-profits, has the largest small boat harbor in the state – with plans to build an additional harbor, and contains more than 200 acres of local ski trails. Oil and gas and mining are large employers for Homer residents.



The Pratt Museum is experiencing a multi-million dollar expansion project, and the native organizations are very active in the community, running a clinic, hockey rink, RV parks, and hotels in Homer. To the surprise and delight of the audience, Mayor Hornaday closed by regaling attendees with a song describing the beauty, richness, and opportunities available in Homer.

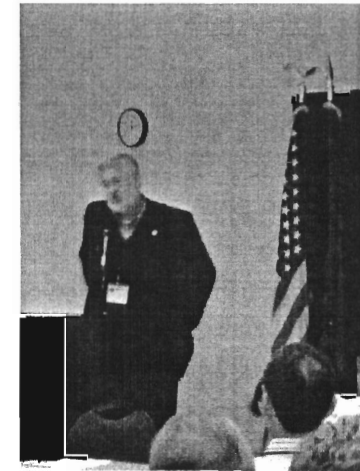
Peter Micciche, Mayor of Soldotna



In order to fully understand the next decade in Soldotna, Mayor Micciche gave a in-depth look at the short and long-term goals for the city. Currently at a high priority is the Envision Soldotna 2030 plan, a city-planning initiative to drive economic and community growth over the next two decades. Campaigns have also begun to help explain to residents the cycle of the dollar spent in Soldotna, and the value of reinvesting that dollar into the community. In the past year, the operating budget in Soldotna has been cut by 10%, and the City is also in the early stages of energy efficiency assessments. The Soldotna Community Playground Project will provide much-needed family recreation to the area. Given the reduction in school-aged children, Mayor Micciche has put the continued development of a diversified community that meets families' essential needs as a main priority for Soldotna.

Gary Stevens, President of the Senate, Alaska State Senate

A visit from Senator Gary Stevens, President of the Alaska State Senate, rounded out the Thursday morning sessions. On January 19, the Senate began a 90-day session that will conclude on April 18, 2010. Senator Stevens was enthusiastic about the upcoming session, stating that while the capital improvement project list was thin in 2008 and 2009 due to economic uncertainty, there should be a larger list in 2010. Senator Stevens echoed the statements made earlier in the day by Mr. Goldsmith about planning an economic engine for the eventual decline of oil and gas revenues to the State.



Cruise Ship to Homer: How do we capitalize?

Ralph Samuels, Vice President - Government & Community Relations, Holland America Line

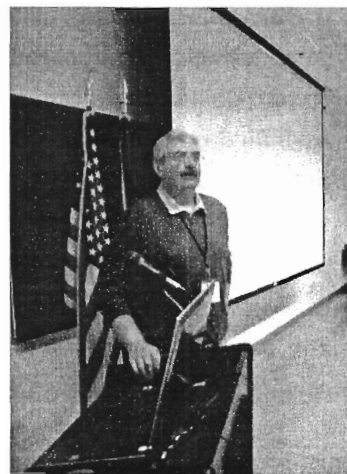


Over lunch, Ralph Samuels opened his speech by explaining the importance of the cruise industry to Alaskan tourism. According to Mr. Samuels, 60% of the Alaskan tourists each year arrive by cruise ship, with 40% of those passengers making a return trip to Alaska. The cruise industry alone contributes between four and five percent of the entire Alaskan revenue in a given year. Forecasts for 2010 predict that Alaska will lose 120,000 tourists in the upcoming season – approximately 1/3 of the overall cruise traffic. A cruise ship to Homer will create a number of business opportunities as 1,500 tourists will come ashore from 10:00AM to 6:00PM every two weeks.

Kenai Peninsula Native Associations: Project Updates

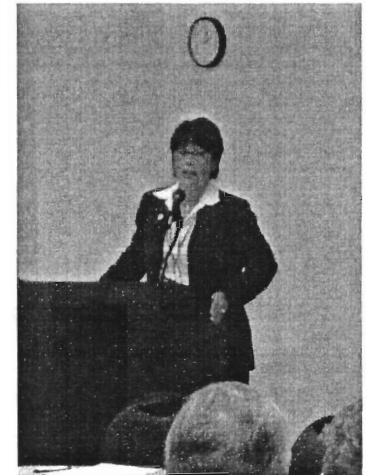
John McClellan, P.E., Tyonek Native Corporation

John McClellan of the Tyonek Native Association opened the afternoon session with a discussion of the current opportunities in the West Cook Inlet, including over \$18 billion in development projects. The largest project, a \$12 billion Coal-to-Liquid project, will employ 5,000 construction workers and an additional 500 staff. The plant is expected to be open between 2018 and 2020 given time needed for permitting and construction. The Chuitna Coal project, a \$600 million investment, will begin construction in 2010 and employ some 500 construction workers. Once the mine is open, an estimated 180-man camp will be present for the 25-year mine life. In addition to these projects, Mr. McClellan discussed a planed community, Nakacheba, which is forecasted to house 5,000 residents by 2020.



Sophie Minich, CFO, Cook Inlet Region Inc.

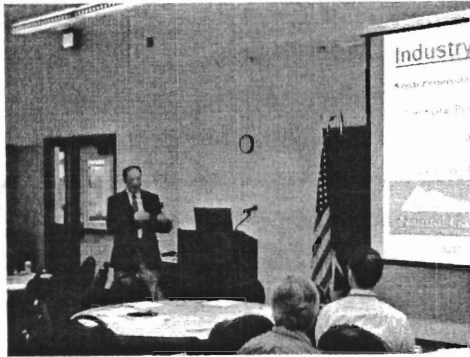
Representing Cook Inlet Region Inc. (CIRI) was CFO Sophie Minich. CIRI focuses their efforts on projects located throughout Southcentral Alaska, including Anchorage and the Kenai Peninsula Borough. With diversified



efforts in oilfield services, construction services, real estate development, energy and resource development, telecommunications, tourism, and government contracting, CIRI posted \$726 million in total assets in 2007. One subsidiary, Peak Oil Services, employs 300 personnel and operates one of the largest crane and equipment fleets on the Peninsula. Alaska Interstate Construction, another CIRI subsidiary, is actively involved in mining around the state and has a project on the North Slope. In regards to tourism, Ms. Minich noted that preseason bookings are down from the record highs set in 2008, but are ahead of the bookings in 2009, even with the cruise ship reductions.

Gas Pipeline Updates: Open Season and Beyond

Harold Heinze, CEO, Alaska Natural Gas Development Authority



Harold Heinze presented on the behalf of ANGDA, the Alaska Natural Gas Development Authority. ANGDA is currently preparing for the FERC "open season", a process that allows gas producers and other entities to reserve space on the Alaska pipeline through long-term financial commitments. North Slope producers – ConocoPhillips, Exxon/Mobil, and BP – will decide in mid-2010 where and to whom they will sell their share. Mr. Heinze also shared the benefits of constructing a petro-chemical plant in Alaska due to logistical ties to Asia and the western coast of the United States.

J.S. "Scott" Jepsen, Denali Pipeline, LLC

As a cooperative effort between ConocoPhillips and BP, the Alaska Gas Pipeline will be the largest private construction project in the history of North America. Scott Jepsen was on hand to discuss the proposed details and risks of the project. The pipeline would be approximately 2,000 miles long, stretching to Albert and containing up to three million tons of steel. If desired, the pipeline could also extend another 1,500 miles to Chicago. A successful

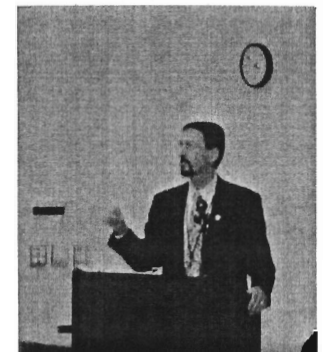


project would mean new revenue streams for Alaska, an influx of job and business opportunities, an extended life of North Slope resources, and a secure natural gas supply for North America. Risks in the pipeline include price and production risks, tariff risks, regulatory risks, finance risks, market volatility, and cost risk.

State of Alaska Officials

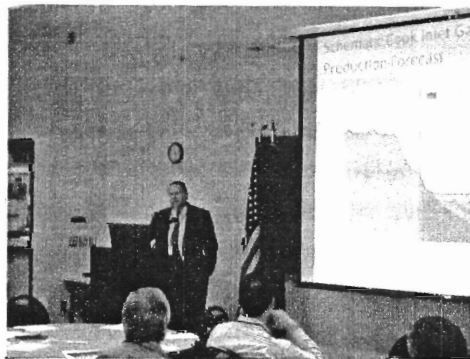
Gene Therriault, Policy Advisor to the Governor on In-State Energy

After recently leaving the Senate, Senator Therriault undertook the role of Policy Advisor to the Governor on In-State Energy. Senator Therriault emphasized that the best-case scenario for Alaska is if the pipeline goes forward. The pipeline would change the dynamics of revenue for the state to operate, and would also impact the cost of utilities to Alaska residents. 2010 expects to bring a great deal of progress for the pipeline – including an initial cost analysis, geological investigations, cultural resource surveys, and examining air-cooling for the gas instead of the current refrigeration technology. The cost-of-service estimates are expected to be complete by November. Senator Therriault concluded his presentation by discussing the need for a more effective method of storing summer gas surpluses in the Cook Inlet between the summer and winter months.

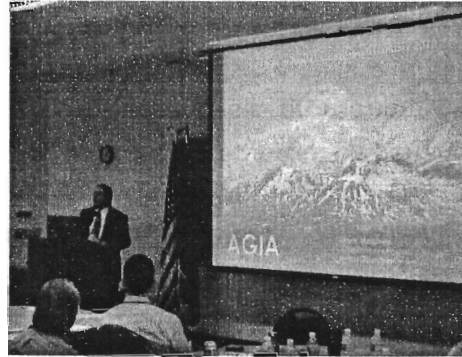


Kevin Banks, Director, Division of Oil and Gas

In the spring of 2009, the Resource Evaluation Staff for the Division of Oil and Gas was asked to conduct a scientific analysis of the remaining reserves of the Cook Inlet. Kevin Banks, the Division Director of Oil and Gas, was in attendance to present the findings from this study. Mr. Banks stressed that the availability of affordable and reliable energy is a concern for all Alaskans. Recent declines in the Cook Inlet have caused a minor panic in Southcentral Alaska. When analyzing all the data, however, Cook Inlet gas production is forecasted to outweigh the Cook Inlet demand until 2030, assuming that no gas is exported. Other forecasts push production past 2035. Mr. Banks went on to emphasize that there is sufficient time in the Cook Inlet to pick the right projects and transition into a host of energy supplies for the needs of Southcentral Alaska.



Mark Morones, AGIA Outreach Program Manager



Mark Morones began his speech with a call for optimism, noting that Alaska has been waiting for an "open season" on gas for three decades, and that two such seasons will occur in 2010. The Alaska Pipeline Project (APP) was created through an agreement with ExxonMobil and TransCanada, demonstrating the commercial alignment that AGIA was developed to encourage. One of the major benefits, according to Mr. Morones, is that the increased access to information will improve estimates across the board. Mr. Morones then began detailing the expectations for the "open season" – including the route, cost estimates, tariff terms, precedent agreements, and negotiations.

Congressional Updates

Karen Knutson, Chief of Staff, Office of Senator Lisa Murkowski

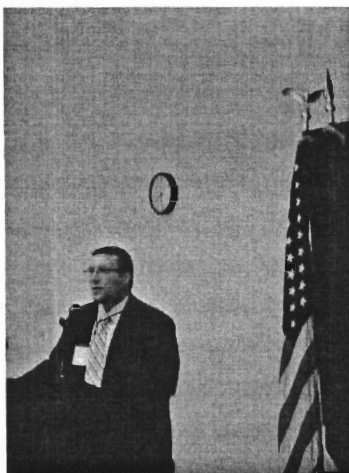
With Senator Murkowski in Washington, her Chief of Staff, Karen Knutson, was able to provide a legislative update before flying back to DC herself. Senator Murkowski had recently returned from Afghanistan along with three other U.S. Senators. While there, Senator



Murkowski met with leaders of Afghanistan and Pakistan, as well as U.S. military officials. An update was also given on the healthcare reform bill, now in conference, and on financial services reform. Ms. Knutson stressed that Senator Murkowski is concerned about climate change and the impacts on Alaska, and further stated that the Senator would not support any legislation which would negatively effect the Alaskan economy.

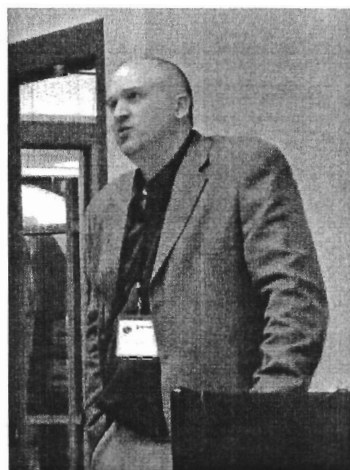
**Chad Padgett, State Director, Office of
Congressman Don Young**

Chad Padgett, the Alaska State Director for U.S. Representative Don Young, provided an update from the House of Representatives. Mr. Padgett focused on three main legislative topics: healthcare, the economic stimulus package, and cap-and-trade legislation. Mr. Padgett relayed that a healthcare bill will be passed, and it will have some sort of public option. The details are currently being debated; and last time the bill came up for vote Congressman Young voted against it. Congressman Young also voted against the economic stimulus package – it is his belief that the most important thing that can be done towards economic stimulus is to develop our natural and human resources. Finally, Mr. Padgett touched on climate change legislation. Congressman Young voted against cap-and-trade legislation, believing the bill could kill industry in Alaska.



**Drilling, Production, Facilities:
What's Planned for the Peninsula?**

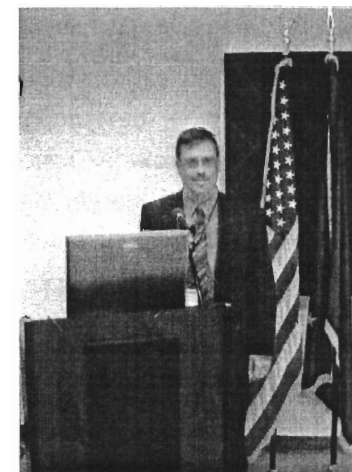
Steve Hansen, Vice President, Tesoro Refining
Steve Hansen was on hand to represent Tesoro, the biggest tax-payer in the Borough. Mr. Hansen began giving a history of Tesoro in Alaska, how they stay committed to the community, and that in forty years there have only been four refinery managers at Tesoro.



There are a number of current challenges facing Tesoro, including an aging workforce, increased complexity in Cook Inlet operations, and importing foreign crude from Russia, which exposes waters to risk, increases the cost of shipping, and increases the price. In addition, the current economy has proven very difficult for Tesoro, as refineries are running at 80% due to demand. Tesoro is dedicated to making a successful facility and remaining competitive in Alaska.

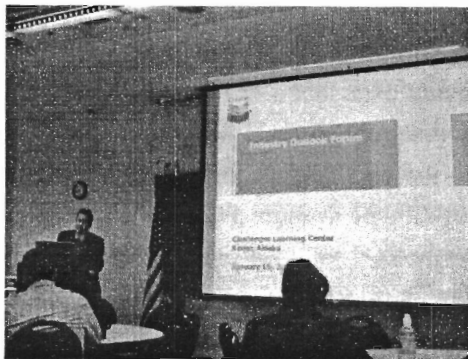
**Dan Clark, Manager – Cook Inlet Assets,
Conoco Phillips**

On the Peninsula, the ConocoPhillips facilities include the Kenai LNG Plant, the North Cook Inlet Unit, and the Beluga River Unit. Dan Clark offered an update on recent activity and future plans for these facilities. In 2008 and 2009 between the Beluga River Unit and the North Cook Inlet Unit, six wells were drilled and one was converted to Class 1 injection. In 2010, the Beluga River Unit is planning one new well in addition to well workovers and a compression pad project. Well workovers are also necessary in the North Cook Inlet Unit. Going forward, ConocoPhillips expects continued development at the Beluga River Unit and to continue managing the production at the North Cook Inlet Unit. In 2011, the export license expires on the LNG plant. Currently no decision has been made on the future of the plant.



Dale Haines, Operations Manager, Chevron

Dale Haines echoed the statements by Dan Clark at ConocoPhillips that Chevron had no plans for exploration. Instead, the current focus at Chevron is to maintain and develop existing fields, including the small field found in 2006 at Happy Valley. This past year, Mr. Haines relayed that there was a major impact on production output due to Mount Redoubt, and currently the Baker and Dillon platforms are undergoing abandonment planning. Mr. Haines also spoke to some of the challenges Chevron faces in the Cook Inlet region, including a high operating costs, low production rates due to the complex process, price sensitivity of the commodity, and higher transportation costs.



Carri Lockhart, Production Manager – Alaska Asset Team Leader, Marathon Oil Company

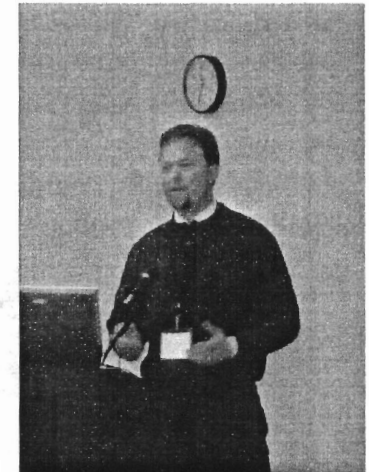
The overarching theme for Carri Lockhart's presentation was that Marathon's top priority is to be safe, clean, and a steward of the community. In the past, Marathon has been a leader in health and environmental safety measures, and each year safety tops the list of future goals. In 2009, Marathon also drilled and completed five wells and optimized deliverability by reducing liquid loading. In addition, Marathon made a significant amount of progress toward creating contingency plans in wake of the Mount Redoubt interruption. To close, Ms. Lockhart announced the Sunrise Project, in which Marathon will drill a 13,500 foot directional exploration hole. The reservoir quality is unknown, but if successful, there may be an additional five to ten wells.



Tadd Owens, Director of Government & Public Affairs, Pioneer Natural Resources

With Pioneer as a relatively new player in Alaska, Tadd Owens began his speech by providing the background of Pioneer in Alaska.

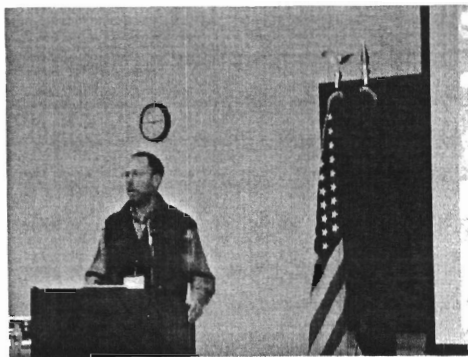
Arriving in 2002 with a headquarters in Anchorage, Pioneer has 49 fulltime employees and has facilities in the North Slope and a potential project in the Cook Inlet, Cosmopolitan. If Cosmopolitan is sanctioned by Pioneer, 8,000 barrels will be produced per day at peak output. Mr. Owens also listed a number of benefits for the Peninsula if the project is sanctioned, including \$2 million in local property tax, local employment and contracting opportunities, state and federal royalty and income tax payments, expansion of the gas infrastructure, a new supply for Tesoro, and a new operator in the Cook Inlet.



Cook Inlet Beluga Whale Research

John Mohorcich, Project Manager, Kenai Peninsula Borough

In October 2008, the Beluga whale population fell to approximately 340, resulting in the mammal's placement on the endangered species list. This listing prohibits activity in the Inlet that will harm the existing population or inhibit their recovery. With debate over whether the protection is necessary, and with the fear that the listing will endanger the economy of the Inlet, John Mohorcich was present to provide an update on the research that has recently been completed. With the main objective of improving the knowledge base for the recovery of the Beluga, the conservation plan has a goal of increasing the population back up to 780 whales over the next 30 years – a realistic goal with a 2-4% increase per year.



Legislative Economic Updates

Mike Chenault, State Representative, Speaker of the House



State Representative Mike Chenault was able to provide a comprehensive update on the upcoming legislative session. He first pointed out that rural Alaska is in an energy crisis, and cited the need to review several pieces of legislation for the future of the Alaskan economy. According to Representative Chenault, the State needs to look at oil taxes, the State tax policy and tax incentive plan, and the State budget. As long as Alaska is dependent on oil, there will always be an ebb-and-flow in the economy due to fluctuating fuel prices. Finally, Representative Chenault stressed that one of the most important factors to the future of the Alaskan economy is that students need to be kept in Alaska after they finish their secondary education.

Susan Bell, Special Assistant to the Governor
On behalf of Governor Sean Parnell, Special Assistant Susan Bell was available to comment on the economic developments in the State. One of the largest priorities in Alaska is to create an atmosphere that is conducive to private investing. Improvements needed include enhancing transportation, updating workforce training at all levels, and developing natural resources. Governor Parnell has met with industry workgroups to best understand the workings of the various Alaskan industries



and to reflect his priorities. Underlying the creation of the capital improvement budget was the desire to attract and retain top professionals, utilizes services for citizens and the government, and to create supporting businesses and jobs. Governor Parnell believes in growing the economy through sound fiscal policy and an emphasis on infrastructure improvements.

Mining Lease Updates

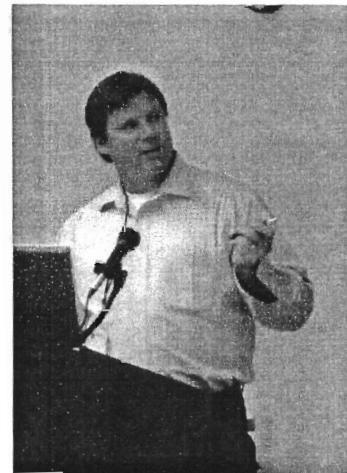
Daniel Fleischmann, Project Initiation Manager, ORMAT Nevada, Inc.



Ormat Technologies, a pure-play clean energy company specializing in geothermal energy, was represented by Daniel Fleischmann on his visit to Alaska from Reno, NV. Mr. Fleischmann gave an overview of a potential geothermal project at Mount Spurr, which would be available for operation in 2017 following the exploration, permitting, and construction process. Some of the benefits of a geothermal plant include a reduced dependency on depleting fossil fuels, opportunities for local hire and services, providing a fixed-cost and reliable energy source, and contributing a significant piece to the renewable energy portfolio. Challenges consist of high initial development costs, a need for infrastructure, and the currently-unknown effect of a Mount Spurr eruption.

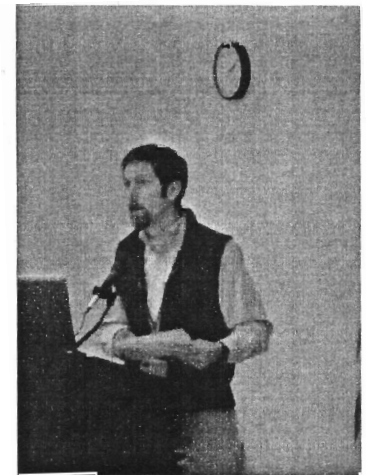
Dan Graham, Project Manager, PacRim Coal, LP

Representing the coal mining sector was Dan Graham from PacRim Coal, who introduced a developing PacRim project across the Beluga River from CIRI lands. With the project in the early stages, PacRim is undergoing background research, from fish monitoring to water sampling and archeological investigations. Once construction begins, an excess of 500 jobs over 18 to 28 months are expected. Depending on production levels, operations of the mine could create 350-400 full-time jobs. Current plans are to setup a workforce in Kenai, employing laborers, truck drivers, shuttle operators, maintenance and warehouse workers, and port facility operators. Mr. Graham also estimated that between two and five jobs are created for every job created at the mine. The earliest setup of this mine would be in 2012, with a 25-year mine life.

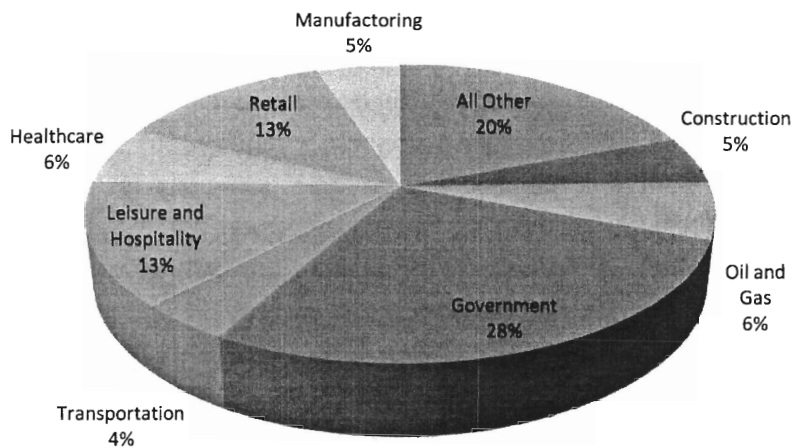


Mike Heatwole, Vice President - Public Affairs, The Pebble Partnership

Mike Heatwole was able to provide an update on Pebble Mine, an extremely large copper, gold, and molybdenum mine. In the early stages of exploration, Mr. Heatwole assured that the Pebble Partnership has a commitment to sustainable development and community responsibility. Located 200 miles Southwest of Anchorage, the mine would be a multi-billion dollar undertaking. Current estimates predict a 25-year mine life, with 72 billion pounds of copper, 94 million ounces of gold, and 4.8 billion pounds of molybdenum available. Mr. Heatwole relayed many current environmental studies that are underway. 2,000 construction jobs would be created, with hundreds of millions of dollars in annual operating expenditures. This multi-billion dollar investment would require 1,000 operating jobs, with supply and service contracts also creating an additional benefit.



Kenai Peninsula Employment By Industry, 2008



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section – Alyssa Shanks Presentation at the Industry Outlook Forum 1/14/2010

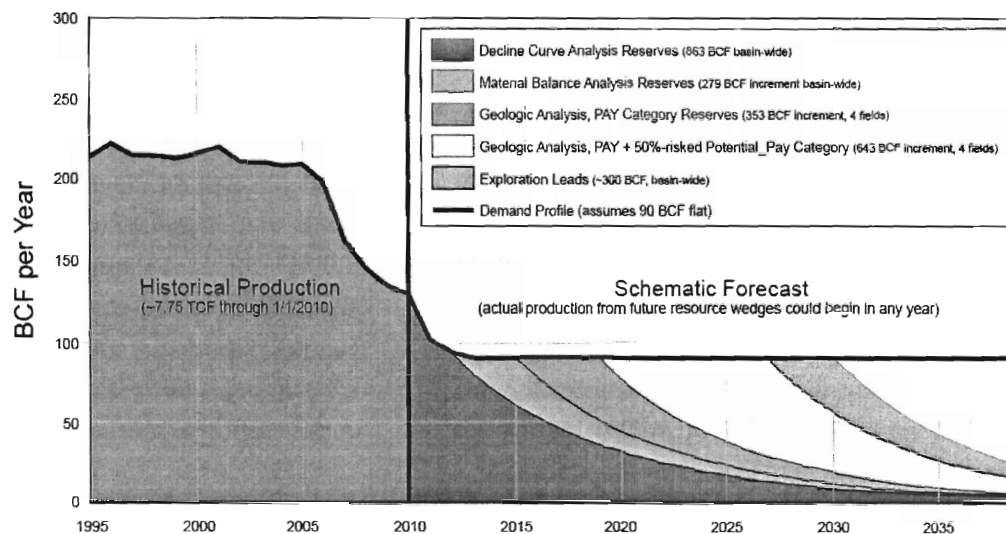
*Central Peninsula Hospital and South Peninsula Hospital are included in Government



Forum Speaker and State Representative
Speaker of the House Mike Chenault



Cook Inlet Gas Production Forecast



Source: Kevin Banks Presentation at the Industry Outlook Forum 1/14/2010